



**4310-VH-P**

**DEPARTMENT OF THE INTERIOR**

**Bureau of Safety and Environmental Enforcement (BSEE)**

**[Docket ID BSEE-2012-0009; OMB Number 1014-0005]**

**Information Collection Activities: Relief or Reduction in Royalty Rates; Submitted for Office of Management and Budget (OMB) Review; Comment Request**

**ACTION:** 30-day Notice.

**SUMMARY:** To comply with the Paperwork Reduction Act of 1995 (PRA), we are notifying the public that we have submitted to OMB an information collection request (ICR) to renew approval of the paperwork requirements in the regulations under 30 CFR 203, Relief or Reduction in Royalty Rates. This notice also provides the public a second opportunity to comment on the paperwork burden of these regulatory requirements.

**DATE:** You must submit comments by [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

**ADDRESSES:** Submit comments by either fax (202) 395-5806 or email ([OIRA\\_DOCKET@omb.eop.gov](mailto:OIRA_DOCKET@omb.eop.gov)) directly to the Office of Information and Regulatory Affairs, OMB, Attention: Desk Officer for the Department of the Interior (1014-0005). Please provide a copy of your comments to BSEE by any of the means below.

- Electronically: go to <http://www.regulations.gov>. In the entry titled, "Enter Keyword or ID," enter BSEE-2012-0009 then click search. Follow the instructions to submit public comments and view all related materials. We will post all comments.
- Email [nicole.mason@bsee.gov](mailto:nicole.mason@bsee.gov), fax (703) 787-1546, or mail or hand-carry comments to: Department of the Interior; Bureau of Safety and Environmental Enforcement;

Regulations and Standards Branch; Attention: Nicole Mason; 381 Elden Street, HE3313; Herndon, Virginia 20170-4817. Please reference 1014-0005 in your comment and include your name and return address.

**FOR FURTHER INFORMATION CONTACT:** Nicole Mason, Regulation and Standards Branch, (703) 787-1605, to request additional information about this ICR. To see a copy of the entire ICR submitted to OMB, go to <http://www.reginfo.gov> (select Information Collection Review, Currently Under Review).

**SUPPLEMENTARY INFORMATION:**

**Title:** 30 CFR 203, Relief or Reduction in Royalty Rates.

**OMB Control Number:** 1014-0005.

**Abstract:** The Outer Continental Shelf (OCS) Lands Act, as amended by Pub. L. 104-58, Deep Water Royalty Relief Act (DWRRA), gives the Secretary of the Interior (Secretary) the authority to reduce or eliminate royalty or any net profit share specified in OCS oil and gas leases to promote increased production. The DWRRA also authorized the Secretary to suspend royalties when necessary to promote development or recovery of marginal resources on producing or non-producing leases in the Gulf of Mexico (GOM) west of 87 degrees, 30 minutes West longitude.

Section 302 of the DWRRA provides that new production from a lease in existence on November 28, 1995, in a water depth of at least 200 meters, and in the GOM west of 87 degrees, 30 minutes West longitude qualifies for royalty suspension in certain situations. To grant a royalty suspension, the Secretary must determine that the new production or development would not be economic in the absence of royalty relief. The Secretary must then determine the volume of production on which no royalty would be

due in order to make the new production from the lease economically viable. This determination is done on a case-by-case basis. Production from leases in the same water depth and area issued after November 28, 2000, also can qualify for royalty suspension in addition to any that may be included in their lease terms.

In addition, the Independent Offices Appropriations Act (31 U.S.C. 9701), the Omnibus Appropriations Bill (Pub. L. 104-134, 110 Stat. 1321, April 26, 1996), and OMB Circular A-25, authorize Federal agencies to recover the full cost of services that confer special benefits. Under the Department of the Interior's (DOI) implementing policy, BSEE is required to charge fees for services that provide special benefits or privileges to an identifiable non-Federal recipient above and beyond those which accrue to the public at large.

Regulations at 30 CFR part 203 implement these statutes and policy and require respondents to pay a fee to request royalty relief. Section 30 CFR 203.3 states that, "We will specify the necessary fees for each of the types of royalty-relief applications and possible BSEE audits in a Notice to Lessees. We will periodically update the fees to reflect changes in costs as well as provide other information necessary to administer royalty relief."

The BSEE uses the information to make decisions on the economic viability of leases requesting a suspension or elimination of royalty or net profit share. These decisions have enormous monetary impacts to both the lessee and the Federal Government. Royalty relief can lead to increased production of natural gas and oil, creating profits for lessees and royalty and tax revenues for the government that they might not otherwise

receive. We could not make an informed decision without the collection of information required by 30 CFR 203.

We will protect information from respondents considered proprietary under the Freedom of Information Act (5 U.S.C. 552) and its implementing regulations (43 CFR 2) and under regulations at 30 CFR 203.63, *Does my application have to include all leases in the field*, and 30 CFR 250.197, *Data and information to be made available to the public or for limited inspection*. No items of a sensitive nature are collected. Responses are mandatory or are required to obtain or retain a benefit.

**Frequency:** On occasion.

**Description of Respondents:** Potential respondents comprise Federal oil, gas, or sulphur lessees and/or operators.

**Estimated Reporting and Recordkeeping Hour Burden:** The estimated annual hour burden for this information collection is a total of 2,329 hours. The following chart details the individual components and estimated hour burdens. In calculating the burdens, we assumed that respondents perform certain requirements in the normal course of their activities. We consider these to be usual and customary and took that into account in estimating the burden.

Citation 30 CFR 203	Reporting or Recordkeeping Requirement	Hour Burden	Average No. of Annual Responses	Annual Burden Hours (rounded)
2(b); 3; 4; 70	These sections contain general references to submitting reports, applications, requests, copies, demonstrating qualifications, for BSEE approval – burdens covered under specific requirements.			0
<b>Royalty Relief for Ultra-Deep Gas Wells and Deep Gas Wells on Shallow Water Leases</b>				
31(c)	Request a refund of or recoup royalties from qualified ultra-deep wells.	1	1 request.	1
35(d); 44(e)	Request to extend the deadline for beginning production with required supporting documentation.	4	1 request.	4

Citation 30 CFR 203	Reporting or Recordkeeping Requirement	Hour Burden	Average No. of Annual Responses	Annual Burden Hours (rounded)
		Application/Audit Fees (rounded)		
41(d)	Request a refund of or recoup royalties from qualified wells >200 meters but <400 meters.	1	1 request.	1
35(a); 44(a); 47(a)	Notify BSEE of intent to begin drilling.	1	2 notifications.	2
35(c), (d); 44(b), (d), (e)	Notify BSEE that production has begun, request confirmation of the size of RSV, provide supporting documentation.	2	2 notifications.	4
46	Provide data from well to confirm and attest well drilled was an unsuccessful certified well with supporting documentation and request supplement.	8	1 response.	8
49(b)	Notify BSEE or decision to exercise option to replace one set of deep gas royalty suspension terms for another set of such terms	BSEE SOL requires that this reg text stay for legacy purposes only. Last time any respondent could use was 2004; hence, no burden.		0
Subtotal		8 responses		20 hours
End of Life and Special Royalty Relief*				
51; 83; 84 NTL	Application—leases that generate earnings that cannot sustain continued production (end-of-life lease); required supporting documentation.	100	1 application every 3 years.	34
		application 1/3 x \$8,000 = \$2,667* audit 1/3 x \$12,500 = \$4,167		
52	Demonstrate ability to qualify for royalty relief or to re-qualify.	1	1 response.	1
55	Renounce relief arrangement (end-of-life) (seldom, if ever will be used; minimal burden to prepare letter).	1	1 letter every 3 years.	1
80 NTL	Application—apart from formal programs for royalty relief for marginal producing lease (Special Case Relief); required supporting documentation.	250	1 application every 3 years.	83
		application 1/3 x \$8,000** = \$ 2,667 audit 1/4 x \$12,500 = \$3,125		
80 NTL	Application—apart from formal programs for royalty relief for marginal expansion project or marginal non-producing lease (Special Case Relief); required supporting documentation.	1,000	1 application every 3 years.	333
		application 1/3 x \$19,500** = \$ 6,500 audit 1/4 x \$18,750 = \$4,688		
Subtotal		2 responses (rounded)		452 hours
		\$23,814 fees		
CPA Report				
81; 83-90	Required reports; extension justification.	Burden included with applications.		0
		1 CPA report x \$45,000 each report = \$45,000		
Subtotal		1 response		\$45,000
Deep Water Royalty Relief Act (DWRAA)				
61; 62; 64;	Application—preview assessment (seldom	900	1 application every	300

Citation 30 CFR 203	Reporting or Recordkeeping Requirement	Hour Burden	Average No. of Annual Responses	Annual Burden Hours (rounded)
			Application/Audit Fees (rounded)	
65; 71; 83; 85-89; NTL	if ever will be used as applicants generally opt for binding determination by BSEE instead) and required supporting documentation.		3 years.	
		application 1/3 x \$28,500 = \$9,500		
62; 64; 65; 71; 83; 85- 89	Application—leases in designated areas of GOM deep water acquired in lease sale before 11/28/95 or after 11/28/00 and are producing (deep water expansion project); required supporting documentation.	2,000	1 application every 3 years.	667
		application 1/3 x \$19,500 = \$6,500		
62; 64; 65; 203.71; 81; 83; 85-89; NTL	Application—leases in designated areas of deep water GOM, acquired in lease sale before 11/28/95 or after 11/28/00 that have not produced (pre-act or post-2000 deep water leases); required supporting documentation.	2,000	1 application every 3 years.	667
		application 1/3 x \$34,000 = \$11,334* audit 1/3 x \$37,500 = \$12,500		
70; 81; 90; 91	Submit fabricator’s confirmation report; extension justification.	20	1 report every 3 years.	7
70; 81; 90; 92; NTL	Submit post-production development report; extension justification. # Reserve right to audit (1 audit every 6 years) after production starts to confirm cost estimates of the application.	50	1 report* every 3 years.	17
		# audit 1/6 x \$18,750 = \$3,125		
74; 75; NTL	Redetermination and required supporting documentation.	500	1 redetermination every 3 years.	167
		application 1/3 x \$16,000 = \$5,334*		
77	Renounce relief arrangement (deep water) (seldom, if ever will be used; minimal burden to prepare letter).	1	1 letter every 3 years.	1
79(a)	Request reconsideration of BSEE field designation.	This was a regulatory requirement for leases issued prior to 1995.		0
79(c)	Request extension of deadline to start construction.	2	1 request every 3 years.	1
81; 83-90	Required reports; extension justification.	Burden included with applications.		0
83; NTL	Application – short form to add or assign pre-Act lease and required supporting documentation.	40	1 application every 3 years.	14
		application 1/3 x \$1,000 = \$334		
Subtotal			3 responses	1,841 hours
			\$48,627	
Recordkeeping				
81(d)	Retain supporting cost records for post-production development/fabrication reports (records retained as usual/customary business practice; minimal burden to make available at BSEE request).	8	2 recordkeepers.	16

Citation 30 CFR 203	Reporting or Recordkeeping Requirement	Hour Burden	Average No. of Annual Responses	Annual Burden Hours (rounded)
		Application/Audit Fees (rounded)		
		Subtotal	2 recordkeepers	16 hours
Total Annual Burden			16 Responses	2,329 Hours
			\$117,441 Fees	

\* CPA certification expense burden also imposed on applicant.

\*\* These applications currently do not have a set fee since they are done on a case-by-case basis.

NOTE: Applications include numerous items such as: transmittal letters, letters of request, modifications to applications, reapplications, etc.

**Estimated Reporting and Recordkeeping Non-Hour Cost Burden:** We have identified two non-hour costs associated with this information collection. The estimated non-hour cost burden is \$117,441. This estimate is based on:

Under § 203.3, we charge lessees (respondents) applying for royalty relief an amount that covers the cost of processing their applications and auditing financial data when necessary to determine the proposed development's economic situation. The total annual estimated cost burden for these fees is \$72,441.

Cost of a report prepared by independent certified public accountant. Under § 203.81, a report prepared by an independent certified public accountant must accompany the application and post-production report (expansion project, short form, and preview assessment applications are excluded). The OCS Lands Act applications will require this report only once; the DWRRA applications will require this report at two stages—with the application and post-production development report for successful applicants. The BSEE estimates approximately one submission each year at an average cost of \$45,000 per report.

**Public Disclosure Statement:** The PRA (44 U.S.C. 3501, *et seq.*) provides that an agency may not conduct or sponsor a collection of information unless it displays a currently valid OMB control number. Until OMB approves a collection of information, you are not obligated to respond.

**Comments:** Section 3506(c)(2)(A) of the PRA (44 U.S.C. 3501, *et seq.*) requires each agency “. . . to provide notice . . . and otherwise consult with members of the public and affected agencies concerning each proposed collection of information . . .” Agencies must specifically solicit comments to: (a) evaluate whether the collection is necessary or useful; (b) evaluate the accuracy of the burden of the proposed collection of information; (c) enhance the quality, usefulness, and clarity of the information to be collected; and (d) minimize the burden on the respondents, including the use of technology.

To comply with the public consultation process, on May 22, 2012, we published a *Federal Register* notice (77 FR 30310) announcing that we would submit this ICR to OMB for approval. The notice provided the required 60-day comment period. In addition, § 203.82 provides the OMB control number for the information collection requirements imposed by the 30 CFR 203 regulations. The regulation also informs the public that they may comment at any time on the collections of information and provides the address to which they should send comments. We have received one comment in response to these efforts; however, the comment did not pertain to the paperwork burden associated with this IC. The comment was a personal opinion of the bureau location of where this program resides.

**Public Availability of Comments:** Before including your address, phone number, email address, or other personal identifying information in your comment, you should be aware



that your entire comment—including your personal identifying information—may be made publicly available at any time. While you can ask us in your comment to withhold your personal identifying information from public review, we cannot guarantee that we will be able to do so.

**Acting BSSE Information Collection Clearance Officer:** Cheryl Blundon (703) 787-1607.

October 9, 2012 \_\_\_\_\_  
Dated.

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Robert W. Middleton, Deputy Chief  
Office of Offshore Regulatory Programs.

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